



8011-01p
SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74476; File No. SR-OCC-2015-005)

Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Concerning the Account From Which Certain Clearing Members May Fund the Additional Margin Requirement Associated With Overnight Trading Sessions

March 11, 2015

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder² notice is hereby given that on February 26, 2015, The Options Clearing Corporation (“OCC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by OCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

This proposed rule change by The Options Clearing Corporation (“OCC”) would permit an OCC clearing member that is a registered futures commission merchant (“FCM”) that has been approved to clear customer futures transaction, but that has not been approved to clear proprietary futures transactions, to participate in overnight trading sessions by allowing such a clearing member to post additional margin equal to the lesser of \$10 million or 10% of the clearing member’s net capital (“Additional Margin”) with OCC in the clearing member’s customer segregated futures account instead of its proprietary account.

II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, OCC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

rule change. The text of these statements may be examined at the places specified in Item IV below. OCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.

(A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

This proposed rule change would permit an OCC clearing member that is a registered FCM that has been approved to clear futures customer transactions, but that has not been approved to clear proprietary futures transactions (*i.e.*, is not authorized to maintain a firm account with OCC), to participate in overnight trading sessions by depositing the Additional Margin required to participate in overnight trading sessions in the clearing members' segregated futures account at OCC, instead of requiring such a clearing member to establish and maintain a proprietary account solely for this purpose.

By way of background, OCC recently submitted a proposal to the Commission that allows for the clearance of confirmed trades that are executed in overnight trading sessions and are offered by exchanges for which OCC provides clearance and settlement services ("Prior Filing").³ Pursuant to the Prior Filing, OCC would impose an Additional Margin requirement on clearing members eligible to participate in overnight trading sessions. The Prior Filing states that the Additional Margin must be posted by participating clearing members in their proprietary account. The Additional Margin requirement is designed to ensure that, if a clearing member's credit risk increases during an overnight trading session, OCC will have access to the Additional

³ See Securities Exchange Act Release No. 74268 (February 12, 2015), 80 FR 8917 (February 19, 2015) (SR-OCC-2014-24). See also Securities Exchange Act Release No. 74241 (February 10, 2015), 80 FR 8383 (February 17, 2015) (SR-OCC-2014-812). This rule change has been approved by the Commission. OCC implemented the Prior Filing on March 2, 2015.

Margin notwithstanding that OCC will not be able to draft a clearing member's bank account for funds because settlement banks are closed during overnight hours.⁴ OCC believes that requiring clearing members that are registered FCMs, and are only approved to carry customer accounts, to establish and maintain proprietary accounts solely for the purpose of posting Additional Margin to participate in overnight trading sessions would be an inefficient use of OCC's and the clearing members' resources and would lead to unnecessary operational complexity.

A small number of OCC clearing members are registered FCMs that only carry customer accounts and therefore do not currently maintain a proprietary account at OCC. Pursuant to the Prior Filing, if an FCM that only carries customer accounts wants to participate, or continue participating,⁵ in overnight trading sessions it must establish a proprietary account at OCC solely for the purpose of posting Additional Margin. Such an FCM would be required to go through the process that OCC clearing members must complete in order to be approved to maintain a proprietary account that, by the nature of FCM business, would not carry positions.⁶

Additionally, in the event of a clearing member default, all or a portion of the Additional Margin would be transferred from the defaulting clearing member's proprietary account to its customer segregated futures account. These additional steps would not be required if the clearing member posts Additional Margin in its customer segregated futures account. Therefore, OCC is proposing to allow FCMs participating in overnight trading sessions that do not currently

⁴ Additional details about such Additional Margin, including the manner in which OCC will calculate the required amount of Additional Margin, are included in the Prior Filing.

⁵ Several OCC clearing members that are FCMs that only carry customer accounts have been participating in overnight trading sessions on CBOE Futures Exchange, LLC.

⁶ See OCC By-Laws Article V, section 1. In order to be approved for a proprietary account, FCMs would subject to OCC's business expansion process that takes approximately three months to complete.

maintain a proprietary account at OCC to post any required Additional Margin in their customer segregated futures account.

OCC is not proposing to alter in any way the manner in which Additional Margin is calculated or any other procedures governing overnight trading sessions. Rather, OCC is only proposing to allow FCM clearing members that do not maintain proprietary accounts with OCC to deposit Additional Margin in a customer segregated futures account.⁷ Moreover, the proposed rule change would not increase risk presented to OCC because, in the case of FCM clearing members that do not maintain proprietary accounts with OCC, all positions of the clearing member cleared by OCC would be held in the customer segregated futures account.

2. Statutory Basis

OCC believes that the proposed rule change is consistent with section 17A(b)(3)(F) of the Securities Exchange Act of 1934, as amended (the “Act”),⁸ because it would protect investors and the public interest by permitting customers of FCMs that do not maintain proprietary accounts at OCC with the ability to participate in overnight trading sessions. As described above, pursuant to the Prior Filing, FCM clearing members that do not maintain proprietary accounts with OCC would be required to establish a proprietary account in order to participate, or continue participating, in overnight trading sessions. Since these FCMs do not maintain proprietary accounts with OCC, their participation in overnight trading sessions is necessarily on behalf of their customers. OCC believes that these FCM clearing members may cease

⁷ Under the Prior Filing, because the Additional Margin would be deposited in respect of a proprietary account, the source of the Additional Margin would by necessity consist of proprietary funds. Under the proposed rule change the source of the Additional Margin could be customer funds to the extent permitted by applicable regulations.

⁸ 15 U.S.C. 78q-1(b)(3)(F).

participating in overnight trading sessions on behalf of their customers if they were required to take the steps necessary to establish and maintain a proprietary account solely for the purposes of participating in overnight trading sessions for their customers. OCC believes that preventing this outcome, while still requiring the Additional Margin to cover potential increased credit risk during overnight trading sessions, protects investors engaging in overnight trading sessions and furthers the public interest of permitting FCM customers to continue to avail themselves of overnight trading sessions. As mentioned above, the proposed rule change does not affect the protections afforded by the Additional Margin, because the manner in which Additional Margin is calculated is not proposed to be changed, and OCC is not proposing to change any other aspect of its procedures governing overnight trading, which have previously been approved by the Commission. Finally, the proposed change is not inconsistent with the existing rules of OCC, including any other rules proposed to be amended.

(B) Clearing Agency's Statement on Burden on Competition

OCC does not believe that the proposed rule change would impose a burden on competition.⁹ The proposed rule change concerns operational changes that are designed to reduce OCC's exposure to risk as a result of clearing member activities during overnight trading sessions and is protective in nature. This change will be applied uniformly across all clearing members participating in overnight trading sessions. Accordingly, OCC does not believe that the proposed rule change would impose a burden on competition.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

⁹ 15 U.S.C. 78q-1(b)(3)(I).

Written comments on the proposed rule change were not and are not intended to be solicited with respect to the proposed rule change and none have been received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to section 19(b)(3)(A) of the Act and paragraph (f) of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act.

Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commissions Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-OCC-2015-005 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-OCC-2015-005. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of

the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Section, 100 F Street, N.E., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of OCC and on OCC's website at

http://www.theocc.com/components/docs/legal/rules_and_bylaws/sr_occ_15_005.pdf.

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-OCC-2015-005 and

should be submitted on or before [**INSERT DATE 21 DAYS FROM PUBLICATION IN THE FEDERAL REGISTER**].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁰

Brent J. Fields,
Secretary.

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¹⁰ 17 CFR 200.30-3(a)(12).